

Berkeley County

Financial Audit Presentation
Year Ended June 30, 2014



Greene, Finney & Horton, CPAs

2014 FINANCIAL AUDIT BERKELEY COUNTY

- **HIGHLIGHTS**

- Unmodified opinion
- General Fund – fund balance increased \$3.4 million
- Series 2013 General Obligation Refunding Bonds reduced future debt service payments by \$363k



2014 FINANCIAL AUDIT BERKELEY COUNTY

- **OPINION**

- The County's responsibility:
 - Effective internal controls
 - Financial statements
- GF&H responsibility:
 - Opinion – reasonable assurance that financial statements are materially correct
- Issued unmodified opinion
 - **BEST OPINION THE COUNTY CAN RECEIVE**

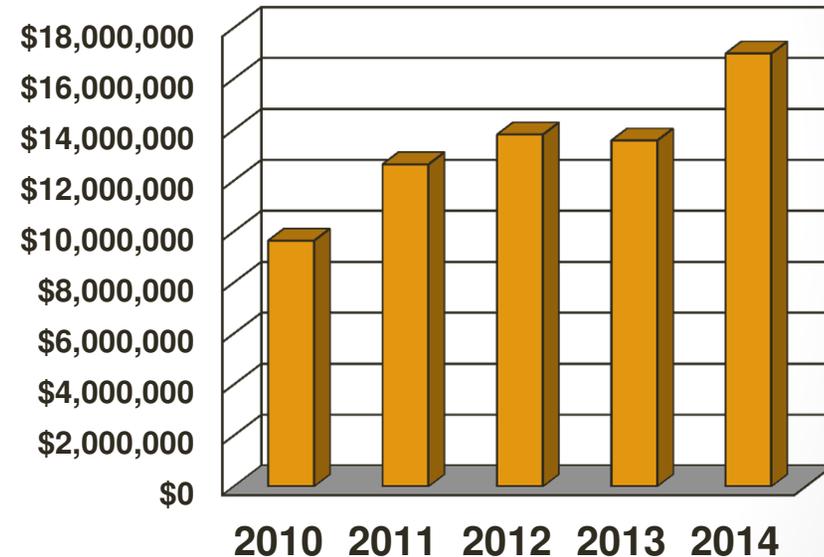


2014 FINANCIAL AUDIT BERKELEY COUNTY

• General Fund

- Total fund balance increased \$3.4M to almost \$17M
- Nonspendable fund balance of \$158k for inventory and \$88k for prepaid items
- Assigned fund balance of \$240k for Elected Officials' Carryover and \$1.7M in FY2015 budget approvals

GENERAL FUND



Fund Balance

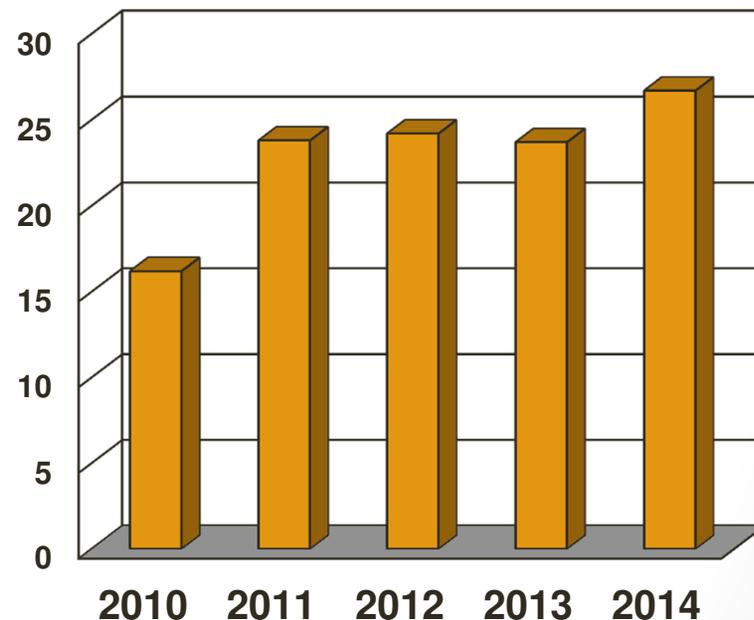


2014 FINANCIAL AUDIT BERKELEY COUNTY

• General Fund

- Unassigned fund balance is \$14.8 million, which is 26.7% of 2014 actual expenditures and 23.7% of 2015 budgeted expenditures
- GFOA recommends a minimum of 16.7% (two months)
- The County's policy is to maintain a minimum unassigned fund balance of 15% of the next year's budget, or about \$9.4 million as of June 30, 2014.

GENERAL FUND



Unassigned Fund Balance as a %
of General Fund Expenditures



2014 FINANCIAL AUDIT BERKELEY COUNTY

- Major Reasons To Maintain An Adequate Fund Balance:
 - Cash flow through second half of calendar year; property taxes and business licenses are cyclical.
 - Significant emergencies and unanticipated expenditures.
 - Potential for better interest rates on debt issues (can save the County money).
 - Unique requirements for a coastal community due to higher potential for acts of God.



2014 FINANCIAL AUDIT BERKELEY COUNTY

Important Points Regarding Fund Balance:

- It should not be considered a rainy day fund as general increases in expenditures and/or decreases in revenue, should be handled through the general operating budget
- Instead, fund balance should be considered more like long-term strategic financial savings that enables the County to mitigate current and future risks
- As the County grows, so should fund balance

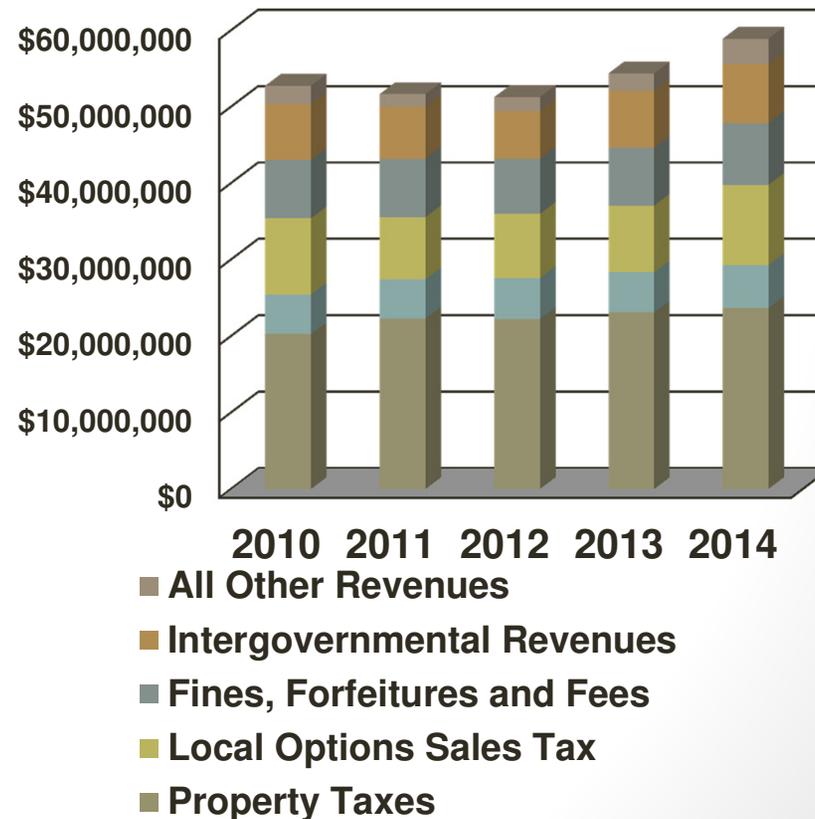


2014 FINANCIAL AUDIT BERKELEY COUNTY

General Fund Revenues:

- \$58.9 million for 2014:
 - \$23.7m from property taxes
 - \$5.6m in fee in lieu of taxes (“FILOT”)
 - \$10.5m in local options sales tax (“LOST”)
 - \$8.1m in fines, forfeitures and fees
 - \$7.7m in intergovernmental revenues
- \$4.5m (8.3%) increase from 2013
 - \$1.8m increase in LOST revenues due to re-allocations approved by Council
 - \$844k increase in licenses, fees and permits due to increase in building permits due to several large construction projects (Google, Nexton, Cane Bay)
 - \$572k increase in property taxes and \$341k increase in FILOT’s due to increased assessed values

GENERAL FUND REVENUES

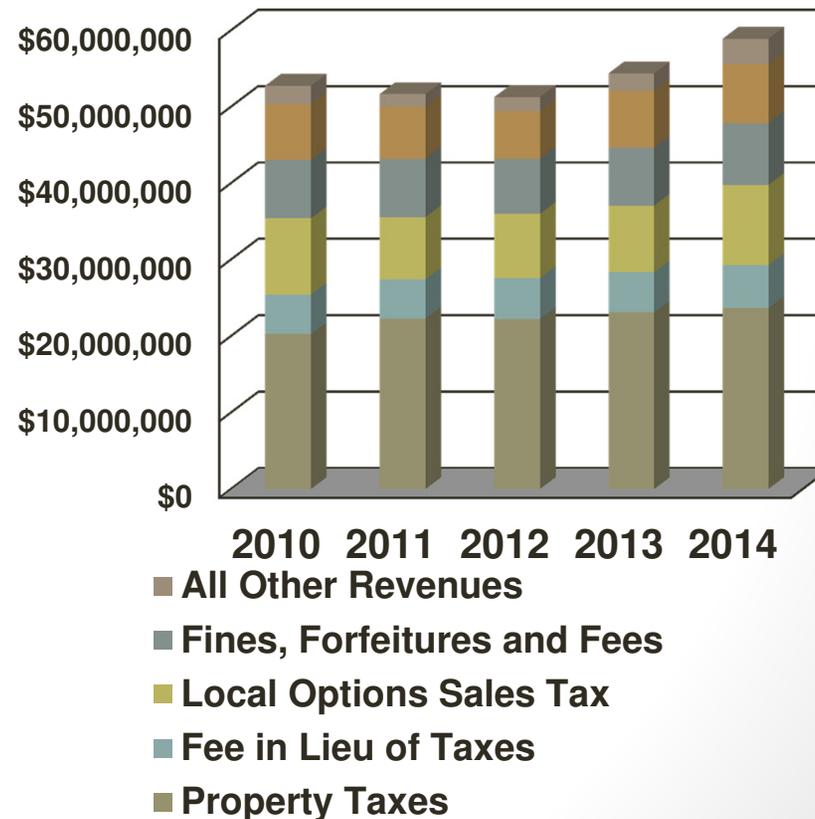


2014 FINANCIAL AUDIT BERKELEY COUNTY

General Fund Revenues:

- \$1.8m (3.1%) over budget
 - \$1.4m over budget in LOST revenues due to additional allocations approved by County Council for the General Fund during the year that were included in the budget as property tax revenues; this resulted in property tax revenues being under budget by approximately \$550k
 - \$725k over budget in licenses, fees and permits primarily due to building permits exceeding budget as a result of the reasons discussed above

GENERAL FUND REVENUES

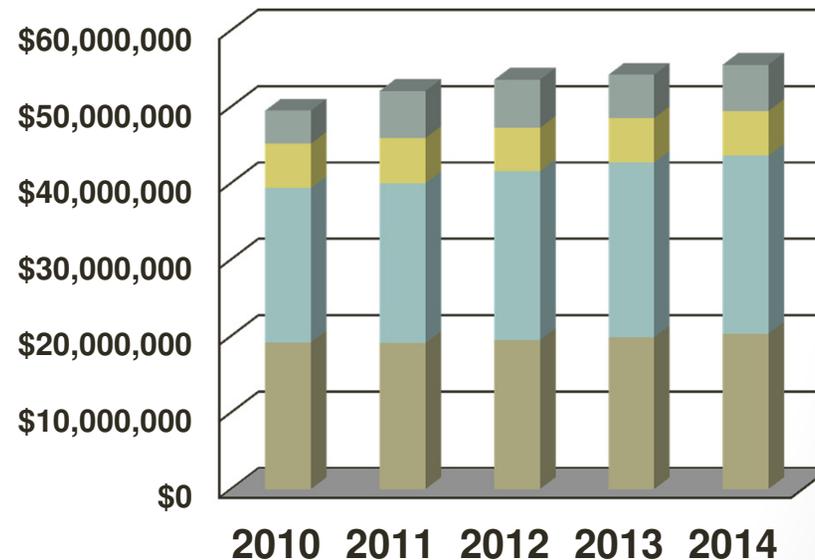


2014 FINANCIAL AUDIT BERKELEY COUNTY

General Fund Expenditures:

- \$55.5 million for 2014:
 - \$20.3m in general government
 - \$23.3m in public safety
 - \$5.8m in airports, highways and streets
 - \$6.1m in other expenditures
- \$1.3 million (2.4%) increase from 2013
 - \$455k increase in general government due to increases in leave payouts, maintenance contracts, legal services and various rental payments/leases.
 - \$446k increase in public safety due to increases in overtime, retirement contributions, utilities and travel/auto expenses
 - \$236k increase related to ice storm costs

GENERAL FUND EXPENDITURES



- Other
- Airports, Highways and Streets
- Public Safety
- General Government

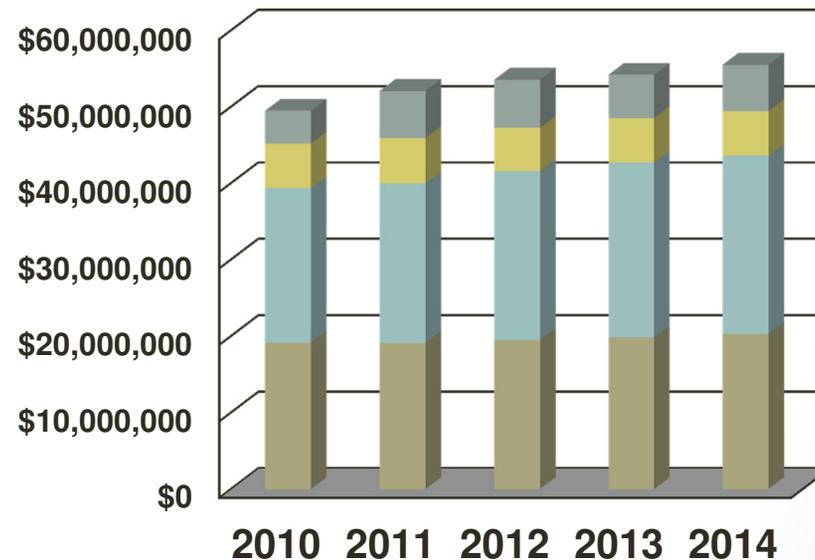


2014 FINANCIAL AUDIT BERKELEY COUNTY

General Fund Expenditures:

- \$2.1m (3.6%) under budget
 - \$984k under budget in general government primarily due to the County budgeting for a compensation plan and various other projects which were not implemented during the fiscal year
 - \$556k under budget in airport, highways and streets due to personnel costs being under budget

GENERAL FUND EXPENDITURES



- Other
- Airports, Highways and Streets
- Public Safety
- General Government



2014 FINANCIAL AUDIT

BERKELEY COUNTY

Enterprise Funds

- **Water & Sewer** had a \$9.7m increase in net position (net of the \$1.8m in bond issuance costs written off due to the implementation of GASB #65) compared to an \$5.9m increase in the prior year:
 - Total Water and Sewer Fund operating revenues increased approximately \$4.0m or 10.5% from the prior year due to a \$1.0m increase in charges for sales and services related to increased customers and changes in contract customer rates and a \$2.8m increase in impact and capacity reservation fees due to several large construction projects. Capital contributions from developers increased \$2.3m or 54.0% also related to construction in the area.
 - Water and Sewer Fund operating expenses increased \$1.9m or 6.4% primarily due to a \$448k increase in personnel services (3% COLA approved by Council and increased benefits), a \$663k increase in repairs and maintenance, a \$205k increase in utilities (mostly water purchases), and a \$327k increase in depreciation expense due to increased depreciable assets.



2014 FINANCIAL AUDIT BERKELEY COUNTY

Enterprise Funds

- **Solid Waste** had a \$7.4m decrease in net position compared to a \$2.4m increase in the prior year:
 - Total Solid Waste Fund operating revenues decreased \$646k or 6.1% primarily due to a \$330k decrease in delinquent landfill fees as a result of decreased collections and a \$242k decrease in special waste tipping fees due to a decrease in charged tons accepted. In addition, non-operating grant revenues increased \$4.1m due to \$4.1m in federal FEMA revenues expected to be collected related to the February 2014 ice storm.
 - Solid Waste Fund operating expenses increased \$7.8m or 83.8% primarily due to a \$7.9m increase in landfill closure and postclosure costs due to changes in estimates as well as the expected requirements changes for closing the C&D landfill. Non-operating ice storm cleanup costs increased \$5.1m related to the costs incurred from the February 2014 ice storms.



2014 FINANCIAL AUDIT BERKELEY COUNTY

Enterprise Funds

- **Parks and Recreation** had a \$93k decrease in net position compared to an \$84k increase in the prior year:
 - Operating revenues decreased \$20k or 3.6% to \$547k. Non-operating revenues decreased \$140k or 19.9% to \$566k primarily due to decreased property tax and FILOT revenues related to the millage allocation decreasing from 1.0 to 0.75 from 2013 to 2014.
 - Operating expenses increased \$67k or 5.6% primarily due to a \$70k increase in salaries and related benefits as a result of the cost of living adjustment approved by County Council.
 - The total unrestricted deficit is \$641k, which is planned to be funded through an \$801k transfer from the General Fund approved in the FY2015 budget.



2014 FINANCIAL AUDIT BERKELEY COUNTY

Enterprise Funds

- **Emergency Telephone** had a \$523k increase in net position compared to a \$7k increase in the prior year.
 - Operating revenues increased \$63k or 13.6% to \$525k due to an increase in sales and services. Non-operating revenues increased \$408k to \$525k as a result of increased state grant revenues related to reimbursements of the County's costs for enhanced 911 services.
 - Operating expenses decreased \$46k or 8.0% to \$526k primarily due to slight decreases in utilities, contractual services and depreciation.



2014 FINANCIAL AUDIT

BERKELEY COUNTY

Other Funds

- **Capital Projects fund** had a \$1.1m decrease in fund balance compared to a \$10.9m increase in the prior year:
 - Revenues decreased \$5.9m or 18.9% to \$25.4m primarily due to a \$7.7m decrease in intergovernmental – state and local revenues as the County received an \$8.0m grant from the State Ports Authority for future infrastructure improvements in 2013. This was partially offset by a \$2.9m increase in Transportation Sales Tax revenues related to increased collections in 2014.
 - Expenditures increased approximately \$5.9m or 28.0% to \$26.8m primarily due to increases in expenditures for large road projects (College Park Rd. widening and Henry Brown Blvd. Extension - Phase I).
- **Debt Service fund** had a \$1.1m decrease in fund balance compared to a \$175k decrease in the prior year:
 - Revenues increased \$77k or 3.1% to \$2.5m primarily due to an increase in property taxes as a result of increased assessed values. The County also received \$3.5m in debt proceeds from the 2013 GO Refunding Bonds.
 - Expenditures increased \$4.5m or 63.2% to \$7.2m primarily due to \$3.5m paid to the escrow agent for the current refunding of the 2003 GO Refunding and Improvement Bonds. The remaining increase was due to scheduled increases in principal payments.



2014 FINANCIAL AUDIT

BERKELEY COUNTY

Other Funds

- **Special Revenue funds** had a \$2.2m decrease in fund balance compared to a \$4.6m increase in the prior year:
 - Revenues decreased \$2.9m or 17.6% to \$13.5m due to a \$3.0m decrease in Highway C Fund revenues primarily due to revenues drawn down for prepaid expenditures in the prior year that were expended in the current year.
 - Expenditures increased \$3.7m or 33.3% to \$14.8m primarily due to a \$2.7m increase Airport, Highways and Streets expenditures related to Highway C Fund projects completed during the current year. Capital outlay increased \$1.8m due to the extension of runway 5 and acquisition of aviation easements at the airport. These increases were partially offset by an \$863k decrease in community development expenditures as a result of decreased grants passed through the economic development fund.
 - Transfers in and transfers out increased primarily due to transfers from the economic development funds to the airport operations fund in order to fund the runway 5 extension project.



2014 FINANCIAL AUDIT BERKELEY COUNTY

AUDITING/ACCOUNTING UPDATE:

- Future Significant Changes in Accounting Principles:
 - GASB #68: Accounting and Financial Reporting for Pensions. Becomes effective in 2015 for cost-sharing multiple-employer plans. Since the County participates in the state multiple-employer pension plans (SCRS and PORS), the County will be required to record its pro-rata portion of the net pension liability associated with these plans in its Statement of Net Position which is currently expected to decrease unrestricted net position for the by approximately \$62.2m and 20.5m for governmental activities and business type activities, respectively, and \$13.2m, \$5.9m and \$1.4m for the water and sewer fund, solid waste fund, and non-major enterprise funds, respectively.



2014 FINANCIAL AUDIT

BERKELEY COUNTY

Other Items of Note:

- Total capital assets were \$495.8m at 6/30/14 – increase of \$18.4m from 6/30/13:
 - \$12.6m in donated infrastructure and equipment for governmental activities and \$6.5m in contributed systems for the water and sewer fund.
 - Depreciation expense totaled \$26.1m, including \$11.2m for governmental activities and \$14.9m for business-type activities.
 - Construction in progress is \$29.8m at 6/30/14. The largest ongoing projects are the Central Berkeley Wastewater Treatment Plant diversion, the College Park Water and Sewer relocation, runway 5 extension, and county road resurfacing.
- Construction commitments total \$5.7m for the Capital Projects Fund, \$1.5m for the Airport Improvements Fund, \$20.5m for the Water and Sewer Fund, and \$92k for the Solid Waste Fund at 6/30/14. Subsequent to June 30, 2014, the County awarded an additional \$459k in construction contracts for its Airport Improvements Fund.



2014 FINANCIAL AUDIT

BERKELEY COUNTY

Other Items of Note:

- Total long-term obligations outstanding at 6/30/14 were \$262.0m – decrease of \$14.3m from 6/30/13:
 - Governmental Activities - \$72.3m
 - \$55.7m in GO Bonds
 - \$1.5m in premiums related to GO Bonds
 - \$5.6m in SCTIB Loan
 - \$2.3m in OPEB
 - \$7.3m in Compensated Absences
 - Business-Type Activities - \$189.7m
 - \$157.4m in Revenue Bonds
 - \$19.5m in premiums related to revenue bonds
 - \$9.8m in estimated landfill closure and postclosure costs
 - \$1.5m in compensated absences
 - \$1.5m in other obligations (OPEB, loans and notes payable)
- Total debt service payments for 2015 on outstanding debt are expected to be \$28.8m including \$13.3m in governmental activities and \$15.5m in business-type activities.



2014 FINANCIAL AUDIT BERKELEY COUNTY

Other Items of Note:

- Subsequent Events
 - Issuance of \$20.3m in Series 2014 Combined Utility System Revenue Bonds to fund the County's portion of the Lake Moultrie Water Agency's system expansion.
 - Transfer of \$801k to Cypress Gardens.
 - Approval of the storm water utility rate structure estimated to bring in \$1.7m in gross revenues in 2015.
 - Extension of the one cent transportation sales tax program.
 - Creation of the Nexton Improvement District including approving the assessments and financing plan.
 - Termination of the transportation impact fee.



2014 FINANCIAL AUDIT BERKELEY COUNTY

Compliance

- One financial statement finding:
 - Revenue recognition for C-Funds
- Single Audit was required for 2014
 - Airport Improvements Program
 - Child Support Enforcement Program

Management Letter

- Required communications to management and those charged with governance:
 - Other Post-employment Benefits
 - Deficit Balance in the Parks and Recreation fund
 - Property Tax System



2014 FINANCIAL AUDIT BERKELEY COUNTY

Summary

- Unmodified opinion on the Financial Statements from GF&H
- Good financial condition as of June 30, 2014
- Ongoing risks need to be addressed

